

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JANUARY 28, 2004

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist. Guests: Al Picconi, United Beverages, Inc.; Michael Gocłowski, Law Warehouse.

EXCUSED: Aidan Moore, Chief of Enforcement.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending January 25, 2004 shows retail sales were down almost -4.7%, on-premise sales were down a little over -6.3%, off-premise sales were up 13.4%, and total aggregate sales were down about -1.75%. The traffic count decreased by 1,105, as did the average sales ticket by -\$1.20.

The W-1 Total Weekly Sales report for the same week confirms total sales were down -1.75% or (\$99,076) for the weekly comparison, but were up 7.8% or \$16,600,156 for the year. Wine sales were off -1.03% or (\$27,550) on a weekly basis, and were up 8.1% or \$7,966,754. Sales of spirits were also down for the week by -2.40% or (\$71,526), but were up year-to-date by 7.54% or \$8,633,602.

B. Budget Reports:

There was nothing of significance to report regarding outstanding depletions and post-offs or gift cards for this week.

The Workers' Compensation report will be updated by next week, as new information has been received. Commissioner Byrne asked if anyone in Administrative Services has questioned the Commission's high expenses in this area. Craig said Val Hamilton of Risk Management is aware of the situation. He also said that additional funding will be required for the account to make it to year end. There was discussion as to what could be done to improve education of store employees in how to avoid injuries. Commissioner Maiola commented that employee shortages cause other store employees to be overworked, resulting in more accidents. Commissioner Byrne said hours needed to be pared down in order to take the weight off some of these people. Peter Engel was asked to identify those stores with employees who could be moved around and those which could be closed. Craig agreed that it was

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important to come up with a way to get safety information to the employees, perhaps through the supervisors' meetings. Peter volunteered to get together a completed package on this subject to present to the Commission by the end of this week or beginning of next week. This topic will be on next week's agenda.

Craig is currently working on the NABCA annual survey update, which is in electronic form for the first time this year, and is due back on January 26th. He has passed on this information to the other bureau chiefs for input from their respective areas.

Another contract amendment is being developed with ACR to allow the Commission to purchase the source code. This amendment will go to the Attorney General's Office, OIT and then to Governor and Council for approval.

Craig provided a copy of the updated out-of-state travel list, which includes scheduled trips for Chairman Maiola and Tom Smith.

The W-6 Expense Budget Activity Variance Report shows the year to be at almost 58% expended, with total agency expenditures at about 58% of the total budget. George remarked that Current Expenses are in good shape, and that some money will be transferred into Class 50 at the end of the year from this account. There have been conversations with Tom Smith and Peter Engel regarding equipment and upcoming plans for renovations at some of the stores. Money from vehicles could be used for store needs and equipment. George will put together a spreadsheet on this. He will also give the Commission a spreadsheet on assembled expenses for the seasonal Seabrook location. Work will then begin on the new Bedford location.

Yesterday George sent to the Commissioners and Bureau Chiefs information being prepared to send over to Peter Yao concerning woodworking shop issues for their review.

2. IT Report:

Howard is still waiting for approval from OIT regarding the hand held scanners. Chairman Maiola said he will contact Bob Anderson after this meeting in an attempt to get a response.

A meeting will be held this morning to finalize the new web site, which should be ready to be published by the end of next week.

The problem with debit cards is becoming more serious in that some customers do not have more than six digits in their pin number. ACR wants \$2,500.00 to alleviate this problem.

IT and Tom Smith visited Law Warehouse to evaluate the space for the alternate site. Mike Goclawski said there seem to be several issues regarding power. Most of the equipment has already been shipped down to Law. Final details will be negotiated with Howard and Craig.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 1/25/04 were down -4.77% or (\$218,080.41), which were probably effected by the very cold weather. Commissioner Byrne questioned sales at Stores #69 Nashua and #30 Milford being so low. Peter said he would keep a watch on this.

Peter said he had received a phone call from Hannaford, who is interested in having the Commission rent at the former location in Bedford. John Bunnell said the landlord of the new potential site in Seabrook is still very interested, and that there is an estimate for renovations. Chairman Maiola visited a site in Tilton yesterday, but it would be too costly to rent there. There was brief discussion regarding a potential new site in Chesterfield.

A. President's Day – Monday, February 16, 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve store hours of operation for President's Day, Monday, February 16, 2004, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Purchasing Report: None given.

3. Merchandising Report

A. SPIRITS:

Rick Gerrish said he would have a completed formula on delistings to be addressed at next week's meeting for Commission review this afternoon.

1) Test Market Results (Code #4303):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status for Code #4303, Kuya Fusion Rum, 750ML size, to be carried in liquor specialty stores only, as this item has earned the gross profit required for such listing at the conclusion of a six-month test market period,

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as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Additional Special Offers for March 2004 (2 items – United Beverages):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve additional special offers from United Beverages, Inc., based upon depletions, without matching State funds, of two (2) spirit items, to be featured on sale during March 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Delistings & Warnings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the issuance of warnings for twenty-nine (29) wine items which were not earning their respective gross profit requirements as of December 31, 2003, as recommended by Kathleen Hass, Director of Purchasing and Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

2) New Wine Product Listings (Code #35999):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution, to be available to all stores as needed, of Code #35999, Feist Madeira Full Rich, 750ML size, as this item has earned at least \$6,500 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for March 2004:

a. 8 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of eight (8) wine items, to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 38 items – Martignetti Companies of N.H. (Spring Promo):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions and special purchase allowance of thirty-eight (38) wine items, to be featured on sale during the March 2004 Spring Promotion, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 4 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of four (4) wine items, to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 163 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and sixty-three (163) wine items, to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 13 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of thirteen (13) wine items, to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Close Out (Horizon Beverage Company):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve five (5) wine items submitted by Horizon Beverage Company to be discounted in a close-out sale and distributed to close-out locations only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Commissioner Byrne cautioned that negotiations should take place between the vendor/broker, who are the responsible parties, and Commission as to whether or not products should be brought in and sold out in this way.

5) Sweepstakes for Rancho Zabaco:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a sweepstakes offer from Pine State Trading Co./E&J Gallo Winery featuring four (4) Rancho Zabaco wine codes, to be conducted during March and April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (14 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fourteen (14) wine codes to be designated as wine specialty products, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Actions for Wines – Warning & Delist Notices:

This item was removed from the agenda.

8) Primary Source Submissions (3 items – primary source; 15 items – exclusive agent; 5 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of three (3) wine codes which are from primary source, fifteen (15) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and five (5) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated January 22 through January 28, 2004. The motion was unanimously adopted.

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2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of February 2004. The motion was unanimously adopted.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

